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Atkinson, Edward

What is a bank? What service does a bank...

New York

1880

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ECONOMIC TRACTS. NO. I.

SERIES OF 1880-81

WHAT IS A BANK?

WHAT SERVICE DOES A BANK PERFORM?

A LECTURE

GIVEN BEFORE THE FINANCE CLUB OF HARVARD UNIVERSITY, MARCH, 1880

BY

EDWARD ATKINSON

NEW YORK
THE SOCIETY FOR POLITICAL EDUCATION
79 FOURTH AVENUE
1880

SOCIETY FOR POLITICAL EDUCATION.

THE Society for Political Education has been organized by citizens who believe that the success of our methods of government depends on the active political influence of educated intelligence, and that parties are means, not ends. It is non-partisan in its organization, and is not to be used for any other purpose than the awakening of an intelligent interest in government methods and purposes, tending to restrain the abuse of parties, and to promote party morality on both sides.

Its organizers are generally agreed upon the following political convictions:

The nation, parties and public men, must keep good faith.
The right of each citizen to his free voice and vote must be upheld.
Office-holders must not control the suffrage.
The office should seek the man, and not the man the office.
Public service, in business positions, should depend solely on fitness and good behavior.
The crimes of bribery and corruption must be relentlessly punished.
Local issues should be independent of party.
Coins made unlimited legal tender must be of full value as metal in the markets of the world.
Sound currency must have a metal basis, and all paper money must be convertible on demand.
Labor has a right to the highest wages it can earn, unhindered by public or private tyranny.
Trade has the right to the freest scope, unfettered by taxes, except for government expenses.
Corporations must be restricted from abuse of privilege.
Neither the public money nor the people's land must be used to subsidize private enterprise.
A public opinion, wholesome and active, unhampered by machine control, is the true safeguard of popular institutions.

They number, however, both Democrats and Republicans, who differ among themselves as to which party is best fitted to carry this or the other of these principles into practical operation. Members of the Society are not necessarily required to agree with all the above.

For list of Officers of the Society, and for announcements of first publications, see pages 3 and 4 of the cover.

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BANKS AND BANKING.

A LECTURE DELIVERED BEFORE THE FINANCE CLUB OF HARVARD UNIVERSITY, MARCH, 1880.

PUBLIC attention is very much devoted to the question of transportation. The importance of railroads and steamships is apparent to all, and every method that can be devised to promote the extension of their lines of traffic receives attention. From the dawn of history, commerce has been the measure of human progress. Upon the ancient caravan-routes of the Far East, over the Roman roads of a later period, across unknown seas, and by devious ways, commerce has from age to age extended its beneficent function. Even when nations have attempted to isolate themselves, by enacting excessive duties upon imports, the "fair trader," as the smuggler used to be called, has rendered the attempt of no avail. Men will exchange product for product, because there is no other way by which even a moderate degree of material welfare can be attained.

But in this, as in almost all branches of investigation, he who limits his thought or study to the purely physical side of the question will be misled.

In this apparently most material of all questions, how to subsist the human body, the work that is abstract or immaterial is of such essential consequence that railways,

steamships, and canals would be shorn of more than one-half their beneficent power if not rightly coördinated and worked in perfect harmony with instruments of distribution of a purely abstract, or perhaps we might say metaphysical, order. In this category come the operations of the bank and the banker.

But before we begin the discussion of the function of banks and bankers, of bills of exchange, bank-notes, and all other instruments by means of which the title to commodities is passed from one man to another, while the things themselves are being carried over the railway, it becomes necessary to give precision to our language, and to define the meaning of the words that we must use.

I am satisfied that a vast deal of bad legislation would be avoided if the graduates of high schools and colleges had more complete command of the English language, and more fully comprehended the exact meanings of common English words.

Before I can begin to consider the subject of banking, it first becomes necessary to define the word *money*. I shall assume that any young man who has had sufficient intelligence to pass the entrance examinations of Harvard University will know enough of the functions of money, and the qualities which it must possess in order that it may be entitled to the name, to warrant me in excluding stamped pieces of irredeemable paper, of late proposed to be issued by the government under the name of "fiat money," from the category of true or real money.

It is sometimes necessary, even for intelligent men, to consider the propositions in regard to what is called "fiat money," in order to prevent the uninstructed from being cheated by knaves, or misled by those whose intelligence on other subjects makes one hesitate to call them fools, but

who must be classed among persons endowed with a kind of limited or perverted intelligence, for which the dictionary has not yet provided a suitable name. It is unfortunate that there should be even a few men among us whose influence has been established in the conflict with the slave power through which we have lately passed, who do not perceive the baleful character of the measures which they advocate. We could well spare them if they would migrate to the country which Boccaccio describes as the "Land of Mendacity," where they "use only paper money."

For the purpose of this lecture, without entering upon the history of money, I will limit the meaning of the word to the pieces of coined gold and silver used by most nations, under various names. Therefore, for the present, when I use the word "money," I shall mean gold or silver coins,—dollars, sovereigns, livres, francs, and the like. True money has been made of other substances in past ages, but at the present time nothing else is entitled to the name.

I am well aware that this limitation would not be admitted by many economists. It would be alleged that a law of the land makes the United States notes now in use "lawful money," as well as "legal tender," and that we must therefore accept the definition; but may not this very fact be cited as an example of the danger of corrupting the language?

If a word is perverted from its true meaning, it ceases to be an instrument of precise thought.

We have become so accustomed to the perversion of the term "money" from its strict application to the coined substance rightly so called, and its application to the promises of banks known as bank-notes, or to the promises of the nation known as legal-tender notes, as to make it difficult even to begin to speak to you on the subject of banking.

Another great and very mischievous perversion of the word "money" is to use it as synonymous with property.

We define a man's property by saying that he is worth a given sum of money, meaning only that his property would be measured by, or could be sold for, a certain sum.

It is from such perversions of the word that many men have been led to believe that welfare depends upon an abundance of money, and that "the times," as we say, are "easy" or "hard," just in proportion to the abundance or scarcity of money.

What is intended by the phrases "money scarce" and "money plenty," is more apt to be "capital scarce" and "capital plenty;" but there are also hard times when both money and capital are very plenty, and the real cause of adversity is that "confidence is scarce." We have lately passed through such a period.

One most potent cause of want of confidence is when the instrument used to serve as money is not true money; irredeemable notes forced into use by an act of legal tender are of this order. The more abundant such base or forged money, as may call it, becomes the less it serves its purpose. Depression, adversity, and loss, we have suffered in full measure during late years. Men have talked, with the wisdom of owls, of over-production, and have imputed the difficulty under which great masses suffered in recent years in procuring food, fuel, clothing, and shelter, to the alleged fact that we were over-producing corn and meat, that our mines delivered too much coal, that our looms wove too many yards of cloth, and that too many houses existed. Could anything be more absurd? Surely nothing except the proposed remedy, namely, to issue yet

more of the very kind of base money that had been, all through this period, the most malignant cause of poverty, depression, and loss.

Since the passage of the legal-tender acts in 1862 and 1863, the so-called money of the United States in common use has been bad money. It is still bad, though in lesser degree; and it will continue to be bad and to work subtle mischief, until coin only shall be lawful money and legal tender for debts incurred.

In order to prove these dogmatic propositions, and to make the use of money and the function of banks and banking perfectly clear, we must analyze the simplest transactions, then proceed from the simple to the complex; and last we shall see, if we succeed in the analysis, that the metaphysical instruments of exchange, which are known as bank-notes, bank-deposits, bank-credits, and bank-exchanges or clearances, are as essential to the quick and cheap distribution of corn, beef, pork, and cotton, as the railroad, the steamship, the butcher's wagon, or the baker's cart. It may, I trust, become very plain to you that, unless these instruments of exchange are convertible into the coin which they represent, their service is impaired or lost.

If we analyze the simplest exchange, we find that all transactions are of the nature of barter. To go back to school-boy language, all trade, from the transaction in the proverbial jack-knife to Vanderbilt's great sale of twenty-five million dollars' worth of railway-stock, is nothing but "swapping." Why do we swap? In order to get more than we give, *i. e.*, something of more use to us than what we give; here begin the metaphysics. The exchange occurs because there is a mental conception that the things bought will be of more service to the buyer than the thing sold; hence the conception of value. Each person buys

and sells. The man who sells corn buys money; the man who buys cloth sells money. The equation may be formulated in words as "service for service," in which the conception of price arises as the mean of the equation. The dollar is the common factor.

When the mental conception of service is applied to substance, then the equation takes the form of "product for product." Carry the mental conception a little further and we at once perceive that, in order that any exchange shall happen, another formula must be conceived, and that is "effort for effort."

We may use these words rather than "labor for labor," because the word "labor" has become limited to muscular or bodily work upon material substances, while effort includes that, and also, in addition, the mental functions or efforts that are serviceable to others, and for which something will be given in exchange. No one but a fool sells something for nothing. The mistake which the labor reformers make is in not admitting mental effort as one of the highest forms of service.

The process which must occur in order that any exchange, barter, swap, or other dealing between men shall happen, must be a purely mental consideration of the effort exerted in the production of the thing parted with, and the effort saved by becoming possessed of the thing obtained. It may be unconscious cerebration; but even in the proverbial knife-trade, each boy swaps his knife because he thinks he gets a better knife than he gives. In the boy's case there is usually a misconception on one side or the other; but in the great commerce or swapping of the world, whether among men or between nations, each does obtain that which is more serviceable than that which is parted with, or else the traffic ceases.

In the last analysis all commerce is an exchange of reproductive forces.

All consumption is a conversion of forces. In the end it is a chemical reaction; and, the wider the distribution, the more perfect the conversion. All this is elementary, but yet necessary to the further treatment of the subject.

Exchange is necessary to the subsistence of the human race, and some kind of money is necessary to facilitate exchange.

The point most commonly overlooked in commerce is that two and two make five,—sometimes six, and even more,—and the units over are divided sometimes in equal portions, sometimes unequal, between the parties to the transaction. The force of the grain stacked upon the wheat-field, and of the cotton on the plantation, are both passive. Convert them in the factory, and an active force is developed which serves to clothe the bodies of men. Two measures of wheat and two measures of cotton make five measures of cloth. The cotton on the field is useless to the producer; the wheat may rot upon the prairie. Bring them together, add the work of the factory, and by their conversion the new force is developed that is measured by a higher price in money than the prices of all the elements of which this new force consists. You will observe that money does not constitute one of these forces, or one of the elements of the new force. It is only an instrument used in their conversion.

Let us now assume that the nation has had the intelligence to adopt the best kind of money yet discovered, namely, coined gold, as its standard of value and only legal tender, and coined gold and silver as its instruments of exchange or its money.

Into the somewhat abstruse question of the bi-metallic theory, and the ratio of gold and silver to each other, I do not propose to enter. Let us assume that the legal-tender acts whereby United States notes have been made lawful money and legal tender, have been repealed by Congress or annulled by the Supreme Court. We then stand ready to begin the consideration of the subject of banks and their relation to the railroad as the agents of exchange.

In order to be sure of our ground, we must begin *ab initio*. For this purpose, we will consider the traffic in black pepper. Pepper is produced in the island of Sumatra. Down to a comparatively recent period, the natives of the island had not developed wants in respect to the products of civilized countries to a sufficient extent to balance the traffic in pepper without the inclusion of a considerable amount of money—I mean, of course, real money—in the transaction. And here you will observe that in all international trade there must be an exact balance. No nation can sell unless it buys, or buy unless it sells: and what is called the balance of trade is and must be only the balance of gold or silver coin that is bought or sold. These coins are commodities, products of labor, of precisely the same kind as beef, pork, wheat, corn, and cotton, and subject to the same laws. In the year 1879 we bought of foreign nations about eighty-four million dollars' worth of gold in the form of coins; that is to say, we bought English, French, and American coins made of gold, weighing a certain number of ounces, of which weight the stamps on the coins were the certificates. A true statement of our foreign traffic, taking for the moment no consideration of credit or payment deferred on either side, would be that,

We sold *so many* bales of cotton,
——— bushels of wheat,
——— gallons of oil,
——— pounds of meat.
We bought *so many* yards of cloth,
——— tons of sugar,
——— bales of hemp,
——— ounces of gold.

Assuming all transactions to be on a cash basis, there can be no balance of trade. The exchange is an exchange of equivalents, but each party assumes, and, on the whole, does make, a profit; that is, each nation parts with that which it could not use with as much advantage to itself as that which it receives. There is an exchange of forces, but in this exchange two and two make five, and the one over is shared by the two parties. Sometimes one nation makes a larger profit than the other; but both must gain something, or else the trade will stop.

Let me call your attention to one point. After a nation has coin enough for bank-reserves and for use as pocket-money, the most unprofitable thing it can import is more coin. The only use you can make of the excess of coin is to send it out of the country again. You cannot consume it. All other goods and wares you can convert into some other useful form, but gold can only be made into jewelry, and silver into table-ware.

When there is no balance of trade, so called, that is, when our cotton, grain, and oil are equivalent to dry goods, sugar, and spice, then the conditions are very sound and healthy. If, on the other hand, we sell what is worth a million to us, and in exchange appear to get what is entered at the custom-house at a million and a quarter, then we may be borrowing the excess. Or if we export more in value than we import, we are either paying our debts or losing by the

traffic, and yet this last state of the account is commonly called a trade that "shows a favorable balance." The coin we imported last year we needed, but this year we need iron, salt, sugar, etc., and the import of coin has diminished. The so-called favorable balance has diminished; our demand for these things is giving our best customers for our grain and meat more ability to buy; they can pay in iron when they could not pay in gold; but I do not hear any complaint of adversity because the balance of trade has changed. We bought gold when we needed it, and paid with cotton, wheat, and oil; now we want iron, wool, and tin, and we are buying them in the same way.

Let us return to the pepper. The natives of Sumatra could not use all their pepper; there was an over-production of pepper there; they had very little use for American goods, but they could use good money. These people, however, wanted a particular kind of money. They had learned in some rude way that, whatever faults the Spanish nation had committed, their coined dollars, known as "Carolus" or "Pillar" dollars, always contained the same amount of silver: therefore these dollars they would take; they would swap pepper only for Pillar dollars. And hence it happened that the American merchant could only get pepper by sending his ship partly loaded with goods, and the rest in ballast, with Pillar dollars for the balance in order to buy pepper. How the pepper traffic is now carried on, I do not know; this was the way when I was a boy. This is still the rule in respect to a large part of our traffic with China. For a very long period we settled our balance of trade, so called, with China in Mexican dollars. That is, we bought silver in Mexico, and sold it in China by the measure of the dollar. Here is another curious anomaly: Mexico stands as the example of all misgovernment, anarchy, and confusion, but Mexico never debased her coin. Is there not hope for her? We, however, at length obtained the confidence of a small portion of the Chinese, so that they were willing to take our trade dollars, and now we sell China a good deal of silver in that form.

You will observe the most costly method of commerce in these two examples: special kinds of coined money to be gathered up, packed, and shipped across the seas, subject to all dangers of loss by Malay pirates but a little while ago, and to all the constant dangers of storm and shipwreck for all time; the ship perhaps making a voyage half around the world almost empty in order to bring home the pepper or the tea. You can readily see how limited such commerce must be.

Transfer these conditions to our own land; suppose that the Louisiana purchase had never been made, and that Iowa, Nebraska, Kansas, and all that vast Mississippi valley belonged to a foreign nation, and were separated from New England by a line of custom-houses more costly and difficult to pass than the Hoosac Mountain or the ridges of the Alleghanies; assume that there was no mutual confidence, and that each nation watched the other with jealousy and suspicion from behind ramparts guarded by five hundred thousand armed men, with a yet greater number in reserve, wasting even in the reserve as much time in drill with rifle and sabre as they would spend in work at the plough, the loom, and the anvil. When you have assumed these conditions, you have only made a comparison with what are called the civilized nations of Europe, omitting Russia and Turkey; who, with only four times our population, now stand thus facing each other with two million men in camp and barracks, a larger number in reserve, bound in the fetters of sixteen billion dollars of national debts secured by

mortgage upon a territory only one-half as large as ours, omitting Alaska. Study the history of these countries, and you will find that, in former times, commerce could only be carried on between them by the actual movement of the coin; and that most of their wars have been incurred, and their great debts imposed, because the beneficent function of commerce was denied, and because each tried to gain a special advantage over the other without rendering a service in return.

But you will say: These obstacles to mutual service do not exist on this territory; what have they to do with banking? I only refer to them to make the contrast greater. Even these contests of race and differences of institutions and language would not restrict the exchange of corn for cotton, of beef for iron, of wheat for fabrics of every kind; would not be as great obstacles to commerce as those that are removed by the existence and use of banks, and by the service of bills of exchange, bank-notes and checks, and bank clearing-houses.

Suppose you could not get a barrel of flour from the West without sending out a five or ten-dollar gold coin to pay for it, and then you begin to see the function and use of banks and bankers.

By the use of a little slip of paper inscribed with a few words, signed by a responsible bank-officer, the title to one barrel of flour passes from the farmer in Nebraska to the mechanic in Massachusetts; while the title passes from the mechanic in Massachusetts to the farmer in Nebraska, to a certain number of grains of gold minted into coined money in the works of the government at Philadelphia.

The coin may be all the time kept for safety in the vault of the Sub-Treasury in New York, and the barrel of flour may be stored in a warehouse in Chicago for months before

it is consumed; but the title is passed from one to the other by the assignment of the little strip of paper, inscribed, "The Merchants' National Bank promises to pay to the bearer five dollars on demand," signed by the president and cashier; or by another strip of paper in similar form:—

MERCHANTS' NATIONAL BANK.
Pay to the Iowa farmer five dollars on demand.
TO THE CASHIER. (Signed) JOHN SMITH.

This is an epitome of all transactions. The bank is the agent for assigning and transferring titles to property: that is the exact function of the bank or banker, nothing more and nothing less. The property assigned may either be its own capital in coin, or a title to some property of its depositors. A part of its capital is kept in reserve in the form of coin, in order that if any one wants actual money,—true money, coined money,—it may always have enough to meet that demand. It lends the rest of its own capital, and it acts as agent to transfer titles to the capital of others.

If these functions are carefully considered, it will be observed that the abundance of notes, checks, bank-deposits, bills of exchange, and other instruments of credit by which titles to actual property are passed from one to another, will be in exact ratio to the quantity of capital, that is, of commodities or property, thus being moved or assigned at any given time. This property, these commodities, constitute what is called the quick or active capital of the community, consisting of beef, pork, hay, corn, cotton, dry goods, tin-ware, boots. Bear in mind, we are not now considering savings institutions, also called banks, that deal more in titles to fixed capital, buildings, works, and improved lands, but we are considering the functions of com-

mercial banks and bankers who serve the purposes of merchants and manufacturers.

The interest which is paid, and which constitutes the profit of the bank or banker, is paid in a limited degree only for the use of money: no actual money has passed; the money is substantially all in the bank-vault, or in the vault of the Sub-Treasury; the interest is paid for the use of the property, of which the bank-note or credit has passed the title from the lender to the borrower by the measure of money. This property is a product of labor; interest is therefore paid for the service of labor already done in the past, in order to enable the borrower to perform more work in the present.

When you mortgage a house to a savings bank, what do you borrow? is it not a part of your house? You are a mechanic, and have saved five hundred days' work for which you have a thousand dollars in gold coin; you spend that, but you want more house; you borrow a title to another thousand dollars, and buy with it five hundred days' work of other mechanics, to finish your house; and you owe the sum that you have spent until you can work it out yourself, but you have really borrowed half your house.

Prosperity consists in the rapid consumption of the goods and wares that I have named, meat, flour, pork, iron, cotton, and the like.

When the money in use is good money, such as gold coin, that only changes its value in relation to other products of labor in long generations, then confidence will be sufficient to promote the quick circulation of commodities, and then will follow the consequence so often mistaken for the cause, —there will be a great abundance of bank-bills, bank-deposits, and bank-credits; every one will say, "Money is very plenty;" but the real fact may be that the amount of

real money held in reserve to meet emergencies, in the vaults of the banks, and the Sub-Treasury, may not have changed a single dollar; but, the money being good, productive and constructive enterprise will be active because confidence is assured.

In such periods it is capital that is plenty,—iron, beef, cotton, potatoes, pepper and salt, milk, butter and cheese (the annual value of our dairy product is greater than that of our cotton), and we work cotton into cloth in order to obtain butter, cheese, eggs. *De minimis curat economicus.* When capital is abundant and confidence is great, the new railroad is projected, the new mill is constructed, the new house is planned, and we spend or consume the products of the year present, in order to be able to provide for the wants of the years to come. We convert the perishable forces of the year present, that would otherwise decay, into the more permanent forces,—into railroads, mills, and works that will assure more abundant production in future years.

When your money is not true, that is, when it is subject to the caprice of Congress, people live from hand to mouth, and the work that is necessary to be done by each generation to prepare for the increase of the next is stopped, because the money that may be received in the future may not measure the effort of the present. For several years after the panic of 1873 we lived as if never another mile of railroad, or another factory, or another house, would be wanted; the portion of the population usually employed in providing for future need was reduced to idleness,—may be five in a hundred; wages were depressed, the stock of goods piled up, and wiseacres talked of over-production; then in the next breath they would say we must save, and not spend. Why! the very thing needed was that we should spend our excess of iron and copper, of corn and pork;

spend them in new work. That is just what we are doing now. Money was said to be plenty in State Street, and would not bring three per cent. per annum. But what was this money? It was the title to these unspent commodities that no one had confidence enough in the future to use or spend, because the measure of spending, the money, was bad.

On the 1st of January, 1879, men came to believe that the standard of value had become fixed, that specie payment was resumed, that gold coin had become once more the money of the nation. Confidence returned, and now what do we see? We are spending again in useful work; we are converting iron into railroads and machinery; brick and timber into mills and works. At the same time our stock of real money, held in reserve in gold coin, has increased more than one hundred million dollars.

As soon as we began to use good money, it flowed in upon us. We have ceased to hear of over-production, yet the products of 1879 were the most abundant ever known.

It is our mental condition only that has changed. Now that good money is even partially assured, we find our force is doubled; industry is resumed, and labor is well employed, because confidence is restored.

In order that we may more readily comprehend how these little strips of paper that I have described—these checks and bank-notes—really do their work, let me use a word very familiar to those who, like myself, have been book-keepers, the word "cash." If you ask me now, "Have you any money in your pocket?" and I followed my own rule, I should confine my answer to the coin in my vest-pocket; but if you asked me if I had any "cash," I should also include the bank-notes in my pocket-book.

In book-keeper's parlance, "cash" consists of checks,

bank-notes, United States notes, and coin. A book-keeper never says his money is short, when he cannot square his account; it is always, "My cash is short."

I suppose none of you know what it is to be short of cash; if you do, you are probably not very particular what word designates the instrument by which the deficiency is covered.

The cashier used to be the guardian or keeper of the "caisse," or chest; he was the chest-keeper, in which coined money was kept by each merchant when banks were few or none. Now his chest has disappeared, and he keeps a cash-book, in which titles to money are registered; and, in place of coin, he balances his account by means of the notes and checks by which the titles to money or to other property measured in money are passed from man to man.

How do we use this "cash" as a substitute for money?

The other day I wanted some smoked venison-hams, such as are brought into St. Paul, Minnesota, from Pembina, where deer and Indians abound. I knew no one in St. Paul who would sell me hams unless he had "cash" in hand. What did I send him? Not a piece of gold; that would have been foolish, although I had three ten-dollar pieces of gold in my pocket, that I had drawn from a banker, in recompense for a lecture given to this club last winter and afterward published in an English review; that is to say, I had some true money—some capital in gold coin.

I took that money to a bank, and obtained a cashier's check on a bank in New York. I parted with my three coins, and obtained a title to, or draft for, other three coins of same denomination; that is, containing the same exact weight of gold. I sent that title to the provision-dealer in St. Paul, and by the next train of cars came back the smoked vension-hams, cured by the Indians of Pembina.

Money might have been said to be plenty in St. Paul, to the exact amount of the three ten-dollar gold coins; but the coins themselves were in the vault of the bank in Boston, to whose cashier I paid them for the draft. The Indian had brought in the hams to the shopkeeper in St. Paul, and had exchanged them for blankets, gunpowder, bullets, and probably some whiskey, for which the shopkeeper owed the manufacturers of whom he had bought his stock. In this transaction you have an epitome of all commerce: the shopkeeper in St. Paul received the title from me to three gold coins,—not the money itself,—and sent me hams; he swaps ham for a title to gold; he deposits that title to gold in his own bank in St. Paul, with other "cash" received for goods; then he draws his own check on that bank, and pays his own debt for blankets and gunpowder: and so the title passes from hand to hand, and from bank to bank, until, in the clearing-house of New York, one check is balanced against another, and a little specie or real money passes from one to another to settle the balance.

My small mental effort procured the gold for me, and the Indian's gun procured the ham for him. In the consumption of the ham the substance of my brain was restored, after the effort which found its expression in the English review, so as to enable me to make this effort to explain the science of banking to you; while, in the consumption of the whiskey, the Indian obtained a gratification, and, in the use of the blanket and gunpowder, he was fitted out for another hunting expedition.

The circulation of the commodities called the bank-check into existence. "Cash" was plenty in St. Paul to the extent of that check; it served its purpose in liquidating other transactions; but the only "money" transactions in the

whole sequence was the movement of three gold coins from the vault of Kidder, Peabody & Co., in State Street, to the vault of the Eliot National Bank, in Devonshire Street.

How did the coin get into the vault of Kidder, Peabody & Co.? Perhaps as a part of the $84,000,000 sent here from England in 1879, in exchange for Minnesota flour, ground in the mills of the same city of St. Paul; or perhaps it had come as a product of the labor of the miner in California, which he had parted with, in order that he might purchase the cowhide boots of East Brookfield, or the heavy woollen blankets made in some Massachusetts factory.

The elements of banking might be put in a formula, almost in a scale. They consist of:—

A little gold coin or true money.

An unmeasured amount of character, prudence, forethought, and integrity, in the banker.

An unlimited amount of confidence on the part of the community.

The scale cannot be given in adequate terms. For this country, it might now be stated something like this:—

Three hundred million dollars of gold coin suffices as the standard by which to measure three hundred thousand million dollars' worth of purchases and sales every year.

By the use of notes issued by, or checks upon, banks and bankers, more than 100,000,000 tons of food are moved in each year from the producer to the consumer, and thus the subsistence of 50,000,000 people is assured.

This is the power of true money; this is the money-power. This is the work that knaves and sentimentalists denounce, obstruct, and retard. This is the measure of the integrity of men; the measure of the trust that each man reposes in his neighbor; the standing testimony that total

depravity is but the gloomy dogma of the shallow thinker, whose insight into the great work of the world is but the depth of his own little mind.

The great crops of this country—grain and hay only—weigh 100,000,000 tons; they constitute food for man and beast,—two tons to be moved from field and pasture to subsist each man, woman, and child; moved not once, but twice and thrice. The grain must be moved from field to railway, from railway to mill, from mill to warehouse, from warehouse to baker's oven. The hay and roots must be moved from field to stable, be turned into butter, cheese, and meat, be exchanged for sugar, tea, coffee, and spices; each kind must be distributed, worked over, converted from one form into another, and at last consumed. The mind cannot conceive the exchanges that take place each and every day.

The money lies safe in the vaults of the great cities, but the little slips of paper, by which a title to it is passed from hand to hand, serve all the purpose, provided only that the money is good, and that bank officers are honest and prudent men. There is no better measure of the character of a nation than the use it makes of banks.

We can only approximate the work that must be done in order that each of you may subsist a single year. Two tons of grain and hay to each one, partly used directly and partly converted into meat: each of you eats more meat than flour; then come the milk, the sugar, the vegetables, the coal to cook the food and warm the house. All this conversion of force must take place that you may not starve,—not less than three tons weight, six thousand pounds, moved at least three times; first, thousands of miles, then hundreds, and at last, half a mile as to each small parcel. This work must be done every year for every

one of you,—too much work done for the value of a freshman, some of you sophomores may think.

All this dead weight must be moved and recombined, that each of you may subsist; and if the work stopped a single year, or even half a year, the world would be depopulated. A snow-storm in London reduces hundreds to the verge of starvation. And through all these changes the little strip of redeemable stamped paper, with a promise to pay upon it, and signed by one or two names,—the bookkeeper's "cash",—has been a sufficient instrument to serve all this vast and complicated traffic; the bank-note, the bill of exchange, the bank-deposit certified by a few figures in a book, with a little coin to make change and settle balances, has measured each change of ownership, and has passed the title of all this property from man to man; while the railway, the steamship, the butcher's cart, and the grocer's wagon, have moved the property itself. There is not coin enough in the world to do this work alone; but without the coin to serve as the standard by which to measure and guage all this traffic, it would mainly cease. The whole mass of gold in the world, the painful accumulation of centuries, valued and sought by every race and every nation since the dawn of history, would not fill this hall. The one product of labor that neither moth nor rust can corrupt, that neither air nor water will oxidize,—who can tell when its service first began, or how it came to be used as money or the standard of value?

Can you find a deeper problem in metaphysics than the analysis of the conception of value,—the estimation of gold,—the twofold process of the mind which seems so simple when we buy and sell, but is so subtle? If you can follow the course of the little slip of paper stamped with a promise to pay dollars, as it passes from hand to hand, and

carries with it the title to the hundred million tons of food, until each daily ration reaches the mouth that is to consume it; if you perceive that as each ton moves by rail and river, the paper slip, the book-keeper's "cash", passes by mail and hand; if you can see that the volume of little slips and the sum of the figures on the ledgers of the merchants and the banks, mark as many dollars of promises and credits as there are dollars' worth of merchandise moving from producer to consumer,—then you will have mastered the first lesson in banking; and I may tell you perhaps, privately, that you will know more about it than ninety-nine bank-directors in every hundred.

If you will try the experiment, you will find that nearly every practical man will tell you that banks borrow and lend money, and will be amazed at your audacity if you deny it; but at the same time they will admit that neither a bank-note nor a bank-check nor a bank-deposit is money.

Does not this speak well for the general integrity of men, that more than ninety-five per cent of all the transactions of life—the exchange of the hundred million tons of food that I have named; the conversion of this force into the thousand forms that make up the necessities, the comforts, and the luxuries of life; the whole traffic on which the subsistence of nations depends—are worked by means of little slips of paper that merely carry directions from one book-keeper to another how to make up the merchants' and the bankers' accounts, so as to show by the trial balances who is in possession of the property exchanged, or who is consuming it at any given time? You will observe that these transactions are world-wide. The bill of exchange that passes from nation to nation is but another slip of paper by means of which a title is passed. Even yet more wonderful is the telegraph. It almost passes

comprehension when we witness its work. The tea merchant in London sends one message to China ordering tea, and another to San Francisco for silver, and before the week is ended both substances are on their way from the producer to the consumer. Two clerks make their entries, two letters of advice are written, and in the London banker's office the transaction is settled.

It is important to impress upon your minds that banks and bankers transfer titles to consumable commodities from producer to consumer; and, further, that in the consumption of the commodity by the consumer is developed the force to produce some other thing with which the first producer is paid. The title passes by a written or printed slip that is but the certificate of "cash" in the book-keeper's accounts. Nearly all the so-called money that passes is a direction from one clerk to another how to make an entry on his ledger. I have repeated this formula many times, and have tried to make it plain; it is the essential idea that must be comprehended.

It follows of necessity, if the system of banking is sound and bankers are prudent, the sum of the bank-notes, bank-deposits, and other forms by which titles are transferred to property on its way to consumers, can never exceed the nominal value of the commodities: hence money is said to be plenty or otherwise, when the quantity of commodities is abundant or otherwise. The danger to banks and bankers comes when prices have been carried to a very high point, and begin to decline slowly or quickly: then comes the doubt whether the men who have borrowed titles to cotton or wool or other merchandise, through the intervention of the banks, can convert these materials into cloth or the like, and obtain by its sale a title to as much as they have expended.

The doubt begins with cautious men, spreads slowly or quickly; if the activity has been very great, if the substance borrowed has been wasted in useless mines, or spent in constructing railways that are not yet wanted, then panic may ensue; each depositor fears his title will be passed to some one who will not use it wisely; then a run is made upon the bank to convert the deposits into money, and withdraw gold from the bank. These crises come usually for good reason; they are the process of cure, not the disease itself: the disease has been the wasteful or injudicious expenditure of the substance long before borrowed; it has been the imprudent lending of titles to commodities to those who in consuming the commodities have not reproduced something that is salable; who have spent them without results.

Let us now consider the work of a national bank.

The process of organizing and working a bank is very easily comprehended when the fundamental idea is grasped, that a bank lends its own capital, and transfers titles to the capital or property of its depositors.

A portion of its capital it must always keep in its vaults in coin, as a reserve. How much that reserve should be, depends upon the kind of business done by the bank; and the proportion of reserve is an indication of the prudence and skill of the manager.

Let us assume that the capital of a bank has been paid in by its stockholders in gold coin, say	$1,000,000
The bank proposes to become a national bank, and it at once lends one-half of its coin to the government at four per cent, interest, for which it receives bonds	500,000
It has left in coin	500,000
On the deposit of the bonds as collateral security for the notes it may issue, the government then authorizes it to issue national-bank notes for the sum of	450,000

What is a national-bank note? It is a promise of the bank to pay to the holder a certain number of coined dollars on demand. The notes of the bank, when in its own possession, are therefore unused evidence of its own debt, and are of no effect until issued. How do they get into circulation?

A manufacturer who has made ten thousand dollars' worth of cloth, and who has not paid for the wool or the labor, desires these notes to use for the purpose of such payments. You will observe that they are promises to pay coin, and the bank has in reserve half a million of coin. These notes are therefore transferable titles to a part of that coin.

The manufacturer has sold the ten thousand dollars worth of cloth, for which he has not yet paid, to a jobber, for eleven thousand dollars, and has taken his note at four months for it. The jobber has the cloth ready to sell to the consumers: the consumers are in part wool-growers and mill-operatives. The note is a title to the equivalent of the cloth in coin; the sale of the cloth will enable the jobber to pay the note. Therefore the note of the jobber is a title or evidence of the existence of so much cloth on its way from the producer to the consumer.

The manufacturer takes the note, due in four months, to the bank, to be discounted; the president deducts interest at whatever the market rate may be, say at six per cent. or two per cent. for four months, and gives the customer $10,780, in its own bills or promises to pay on demand. In that discount of interest is the profit to the bank; the manufacturer pays for the wool and the labor $10,000, and has $780 left in bills. He now wants some foreign wool, for which he must pay gold. He presents $780, bank-bills, and draws that amount from the bank's reserve of coin; the rest of the notes circulate from hand

to hand; some of the farmers and operatives who received them from the manufacturer buy goods of the same dealer who purchased the cloth; by the time his note is due he has received these bills, and has deposited them in the same bank that owns his note, and, when the note is due, draws his check, and thus pays, or offsets his deposit-account against his note.

While the note has been in existence, the cloth has been in use; it has enabled those who wore it to do more work, to reproduce other capital to take its place.

All through the transaction the gold has been in the bank, ready to redeem the bank-note; the cloth has been reproducing capital, to assure the payment of the merchant's note. The bank-note and the merchant's note have divided the title to the gold and the cloth, and passed it to a hundred different hands; but the issue and redemption have been worked to the convenience and profit of each and all.

Confidence and credit and a few slips of paper have removed the need of weighing out gold for wool, and wool for cloth, and cloth for labor. The title has been passed, and all the work has been done, because men can trust each other; the slips of paper have carried the title, and enabled the book-keepers of the banks and merchants to keep their record of credits granted and obtained; and, in the clearing-house, one slip written off against another squares the account. Coined money has been the standard; convertible paper money has been the instrument; an entry in a ledger has been the conclusion.

In order that the conclusion may be just and true, the substance to which the title has been passed must have been rightly spent; more force must have been generated than has been consumed. The difference will have taken the concrete form of a new and useful railway or mill, a better house, a college gymnasium, or a Boylston Hall, in which students may be making preparation for more effective work in the future. Thus the world goes on, never more than one year removed from starvation, yet with always enough and to spare. Whether that which would suffice shall be where it is wanted, or not, is no longer a question of physical means: railroads and steamships can assure distribution to almost every part of the world. The conditions of prosperity are now peace, order, and good-will among nations, good money, honest and prudent bankers. When the interdependence of nations is admitted, then, and only then, will commerce forbid war.

I have stated to you that our great crops of grain and hay weigh more than one hundred million tons. The hay is only a partial measure of the meat, the butter, and the cheese; the roots add yet more. One hundred and fifty million tons of food is within the measure of what we consume ourselves, or send abroad to exchange for goods and wares of every sort,—three tons to each man, woman, and child, to be converted into power. Food is fuel for the human engine. "Going into business," which some of you may contemplate, means a share in the conversion or distribution of this force of three hundred thousand million food-pounds.

What was your share to-day? About sixteen and a-half pounds; three consumed directly, the rest indirectly. Witness the power of money: that it must be an accurate measure of the division of three hundred thousand million food-pounds into daily rations of three pounds each. Legislators in Washington are now tampering with the standard of value, and attempting again to alter the measure by which all this vast traffic is to be conducted.

You may see how little we are governed,—how much we may be misgoverned,—when you attempt to conceive of the mischief that would be done if all the rules by which this work is accomplished needed to be established by statute. Do you not see that when any attempt is made to extend the function of statutes beyond the enforcement of justice and the collection of the necessary revenues, with right provision for education, it must almost of necessity raise barriers between men and nations that would have no existence in the nature of things? Honest men need no statutes for the conduct of their business: the statute intervenes only when some one tries to get an advantage over another; in other words, tries to obtain more service than he renders.

One by one all sumptuary laws have been repealed, or have fallen into disuse, because trade makes its own laws. If a tariff for taxation is assessed at rates beyond a certain point, the smuggler renders it inoperative. Attempt to collect two dollars a gallon on whiskey again, and the revenue on it would almost cease.

Issue fiat money, and who would exert himself to become possessed of it? Only the man who believed he could cheat his neighbor by inducing him to give something for it, or who would force him to take it, under the operation of a legal-tender act, in place of the true dollars that he had promised. Show me an advocate of "fiat money," and, in nine cases out of ten, I will show you a man who either desires to cheat his creditors, to grow rich by causing other men to become poor, or to live without work on the product of some other man's labor.

I shall now be obliged to lay aside my strict definition of "money," and the limitation of that word to coin, and fall into the customary way of treating convertible bank-notes

and legal-tender notes as money, or, in common speech, as "paper money;" better designations are, in respect to coin, "real money," and in respect to convertible paper, "representative money."

Notes serve the purpose often given as descriptive of money; they are instruments of exchange; and it would be almost a Quixotic attempt to strive now to change their common designation. We will call both classes of notes, "money," in order that I may more fully explain why one is good paper money and the other bad paper money. Both are promises of coined dollars on demand, but the redeemable bank-note is the symbol or measure of the cloth, meat, corn, cotton, or some other substance, on its way from producer to consumer. It can only get into circulation, as I have attempted to explain, as a representative title, or evidence of substance, in the consumption of which will be given the power to redeem the note.

The legal-tender United States note, on the other hand, is the symbol or evidence that the government forced its citizens to lend it food and munitions of war fifteen to twenty years since, all of which were consumed without reproduction; it is evidence of capital destroyed, and of debt due and unpaid. Its convertibility into coin depends on the power of taxation. It has not the first attribute of good paper money, except so far as coin is held in reserve for its payment; nor has the government any immediate means of payment, if any sudden distrust should cause the notes to be presented beyond the sum of its reserve in coin. In banking, the proportion of reserve can be determined by the nature of the business done, the condition of the crops, the state of the foreign exchange, and many other indications, a knowledge of which constitutes the skill of the banker; but the safe measure of reserve for a government

note can never be less than dollar for dollar in coin, and, when that standard is established, the issue of the notes yields no profit or saving of interest.

In conclusion, let me indicate one other advantage which a national-bank note possesses over the notes of the State banks, formerly used. The State-bank notes depended entirely on the skill and judgment of the bank managers: when a bank failed, the holders of the bank-notes had a lesson in the meaning of words; they found out to their cost that notes might cease to be *money*, either in fact or in semblance.

State banks often failed to pay their notes as well as their deposits.

The national-bank note, or promise of the bank, cannot be issued unless the bank has first lent a part of its capital to the government, for which the government pays interest, and in evidence of which it has issued bonds. These bonds are deposited as security for the payment of the notes. The bank may fail, it may defraud all its depositors of every dollar of the title to capital which they have deposited with it, but it cannot defraud the holder of a note; if the bank does not redeem the note at its own counter, the holder can present it to the controller of the banks, cause the bonds deposited as security to be sold for coin, and draw the coin. The bank-note is secured first by all the other capital and profits of the bank not lent to the government, by all the commodities in title to which it was first issued by the bank and obtained circulation in the community, and, second, by the collateral security of United States bonds bearing interest.

The United States note depends upon the power of future taxation, and is at the caprice of Congress, into which such men as B. F. Butler have more than once found an

entrance by the votes of their dupes and their confederates in Massachusetts and elsewhere. It does not represent property in existence. but substance that has been destroyed.

Which of these notes best meets the conditions of safety?

May it not be affirmed that the national-bank note leaves nothing to be desired, if paper money convertible into coin is to be used at all? It is secured beyond a reasonable doubt, and as it has the semblance of true money to masses of people who cannot appreciate the distinction between real money and its promise, it is eminently right that the government should protect the holders of the notes, and assure their absolute convertibility on demand by requiring the deposit of the United States bonds as collateral security for the notes.

We have, indeed, brought United States notes to par in gold coin, and for the moment he who presents them for payment will receive the coin; but if the preceding statement of the function of banks and of bank-notes has any foundation in principle, the attempt of a government to assume the functions of a bank of issue is an economic absurdity fraught with the gravest dangers.

The question is not yet determined, but is still at issue, whether the money of the nation shall be good or bad for the next few years.

The lawful money is now *good* money in gold coin, and *bad* money, or United States notes first issued for the purpose of collecting a forced loan, and made a legal tender for that purpose only.

During the war these notes depreciated to less than forty per cent. of their nominal value; they are now at par, and are nominally redeemed in coin; but although the lawful-

ness of their reissue is contested by the ablest lawyers and the members of the Senate and House of Representatives most competent to decide the question, they are being reissued even while the validity of the acts under which the reissue takes effect is before the Supreme Court for adjudication, it being a question not yet decided. Their reissue is not confined to the purposes for which the executive might feel obliged to use them under existing laws, but they are being forced into use again in the purchase of bonds not yet due, for the sinking fund, without reason or necessity.

This course is but a repetition of the disastrous policy followed under the administration of the Treasury Department by most of the predecessors of the present secretary ever since the office was held by Hugh McCulloch. When these notes which have been paid in coin are reissued in exchange for bonds, such notes being legal tender until otherwise decided by the Supreme Court, and therefore competent under existing laws to constitute a portion of the bank reserves in place of coin,—they, in fact, constitute an element of the currency not called into use by the operation of the laws of trade.

They are therefore forced into use where they are not required, and may at any time work the same effect that they did before, to wit: inflate prices, and presently cause the export of the gold coin which will be displaced by them. Next may follow their depreciation, and possibly another suspension of coin redemption by the treasury of the United States; or what would be a yet greater misfortune, redemption in depreciated silver coin.

The first steps in this vicious sequence are now apparent, and the malignant effects of the attempt of the Treasury Department to do the work of a bank of issue, for which it

is radically unfit, are now to be as plainly seen as they have been many times before.

Speculation waits upon the decision of the Secretary of the Treasury as to how much bad money he will inject into the currency in each week; and the eaves-droppers of the lobby listen for the corrupt whispers that shall enable them or their confederates to plunder the victims of a false monetary system

The prices of the necessaries of life have been subject to great fluctuations, as they have before when the currency was tampered with. In 1879, they rose faster than the wages of those who did the work of producing them, and strikes prevailed everywhere; the unwary were again misled by the specious representations of those who live upon the credulity of their dupes, and the thousand evils of tampering with the money of the country became patent to those who look beneath the surface. Mining stocks were sold at such prices that if the product of the mines would pay a dividend on the nominal sums given, silver would be depreciated at least one-half from its present ratio to gold; any thing that was called a railroad served the purpose of the stock-jobber, and many of the other symptoms became visible which constitute the disease of which a commercial crisis is the usual process of cure.

These are the symptoms of a false element in the finances of the country; of bad money again displacing that which is good.

Whether an inflation caused by the use of government legal-tender notes nominally redeemable in specie, and not cancelled when thus redeemed or paid, but reissued, will work as great a disaster as the inflation caused by the forced circulation of the same notes when irredeemable, is one of the problems not yet determined.

The enormous crops of the past few years, and the possibility of moving them which the railroad and the steamship have given us, have enabled the Treasury Department to meet the conditions of the resumption act, and to stand ready thus far to redeem the notes in gold coin when presented. A true statesman would be able even now, to assure the stability of coin payments for all time to come; but, to the shame of our intelligence as a people, it is yet a question whether another financial disaster may not be needed, before the simple principle of finance is learned, to pay your debt due on demand first and finally, rather than to reissue your own evidences of debt due on demand, and force them into circulation as lawful money in the purchase of long bonds not matured.

If we are saved from another disaster which may come because of the want of capacity on the part of those who assume to govern and control the finances of the country to comprehend, or their unwillingness to accept, the simple principles that underlie the question, it will be from the same causes that have brought us into our present favorable condition in spite of previous mismanagement.

The enormous productive capacity of the country and the energies of the people, aided by the railway system, have enabled us to surmount financial incapacity, under previous administrations, equalled only by that charged on the Tory administration of Great Britain by the great leaders of the Liberal party.

Full credit may be given to the present Secretary of the Treasury for executive ability and administrative power. The conduct of affairs has been admirable during the period when the circumstances of the time—our great harvest, and the bad crops in Europe—gave us, for the time, the control of the gold of the world.

But the point of danger is near or is already reached; the test of statesmanship is now being applied. Circumstances may again save us, but the reissue of notes already paid, after the disastrous experience of years past, caused by the same vicious policy, may fully warrant those who resisted that policy then, and foretold its malignant result, in again sounding a note of warning.

The danger of a debt currency must exist so long as the promise of coin is *forced* into use by an act of legal tender. Such a currency may for a time be redeemable, but it constantly tends to become irredeemable.

We have been saved from inflation and an increased issue of irredeemable paper money only by the veto of a President, the policy of whose financial secretary had led logically and directly to the vicious legislation which was stopped by his veto.

Great Britain has its land question, we have the money question to be determined; both appalling in the consequences that may ensue from a false policy.

May not the record of history in both cases be the same, —that the principles of liberty and the sentiment of personal independence are so fully ingrained in the English race as to enable both branches to surmount the obstacles which their own legislators have placed in the way of their progress?

Whether the money be good or bad, whether the land be free or restricted, whether vested wrongs be sustained for a time, or vested rights promoted,—the sentiment of personal independence and individual liberty may be depended upon as the great safeguards of the English race, and will ultimately assure righteous laws.

In the first lecture which I gave you this year, I endeavored to picture to you the beneficent function of the

railroad and the steamship, in assuring a good subsistence to the people of many lands and far-distant places.

In this I have treated the more abstract method by which distribution is promoted.

In the merely material work of the railroad, skill and intelligence only may suffice, but the conduct of the bank calls also for character and integrity of the highest order. In the history of commerce the great banker may, perhaps, stand first among those who have guided the great exchanges of the world, and who have made civilization possible.

EDWARD ATKINSON.

BROOKLINE, MASS., March, 1880.

The Society proposes to carry out its objects by submitting from time to time to its members lists of books which they regard as desirable reading on current political and economic questions; to supply such books to members at the smallest possible advance beyond actual cost; and to furnish and to circulate, at a low price and in cheap form, sound economic and political literature in maintenance and illustration of the principles above announced as constituting the basis of its organization.

For the first or current year, it is proposed that each Active Member shall pledge himself to read the following books:

1. POLITICS FOR YOUNG AMERICANS, by Chas. Nordhoff. (Including the Constitution of the United States, etc.) Harper & Bros. [Copyr. 1875.] 200 pp., 75 cents.

2. HISTORY OF AMERICAN POLITICS, by Alex. Johnston. Henry Holt & Co. [Copyr. 1879.] 12 x 274 pp., 75 cents.

3. INTRODUCTION TO POLITICAL ECONOMY, by Prof. A. L. Perry. Chas. Scribner's Sons. [Copyr. 1877.] 348 pp., $1.50.

4. ALPHABET IN FINANCE, by Graham McAdam. G. P. Putnam's Sons. [Copyr. 1876.] 20 x 210 pp., $1.25.

Also, the Constitution of the State of which the member is a resident.

Preliminary arrangements have been made for the issue in the fall of a special edition of the four books above named, in uniform and durable binding, as a *Library of Political Education*, to be had, in sets only, through any bookseller, or from Messrs. G. P. Putnam's Sons, 182 Fifth Avenue, New York, or Jansen, McClurg & Co., 119 State Street, Chicago, agents for the Society, at the reduced price of $3.00 per set. Orders will now be received. The volumes can be bought separately of any bookseller in the regular editions, as above.

For other and general reading on Political Economy, the specialties of fiscal science,—banking, currency, silver question, taxation, free trade and protection, land tenure, etc., etc., a list of books, prepared by Prof. Sumner of Yale College, has been already published, and will be furnished to members on application and to others on receipt of five cents. Nearly ready, also, is a list of works on the Constitution of the United States, prepared by W. E. Foster, Librarian of the Providence Public Library. Other lists will be added, so as to aid members in selecting judiciously from the mass of books which issue yearly from the press.

Among the proposed early publications will be included: "What is a Bank?" by Edward Atkinson of Boston; and "The Usury Question," comprising the famous essays of Jeremy Bentham and John Calvin, together with a summary of the results of the present usury laws of the United States, by B. H. Bristow.

The Society proposes to continue the issue of the valuable pamphlets of the HONEST MONEY LEAGUE of the Northwest, which did such good service for the country during its activity, including a revision of Mr. Thos. M. Nichol's effective pamphlet on "Honest Money." Other works are in contemplation for issue and distribution at an early date.

SOCIETY FOR POLITICAL EDUCATION.

ORGANIZATION AND MEMBERSHIP.

The Society is to be managed by an Executive Committee of twenty-five persons, selected from different sections of the United States. At the end of the first year the Executive Committee is to resolve itself into three sections, holding office respectively one, two, and three years from that date, and at the expiration of the term of office of each section, the remaining two-thirds of the Committee shall elect, by ballot, members to fill vacancies. The correspondence of the Society is to be divided among five secretaries, one each for the East, the Northwest, the Southeast, the Southwest and the Pacific Slope.

There are two classes of membership: Active and Coöperating. ACTIVE MEMBERS are such persons as will pledge themselves to read the books recommended by the Society for the official year and included in its *Library of Political Education*, and who will pay an annual fee of 50 cents (which may be forwarded in postage stamps) entitling the member to receive the tracts published by the Society during the year. Any person may become a COÖPERATING MEMBER on the annual payment of $5.00 or more, which shall entitle such member to receive all the tracts published by the Society. There are no other conditions or obligations of membership. The number of tracts to be published annually will depend chiefly on the amount of subscriptions received. It is also desired to establish a fund for furthering the general work of the Society, and for facilitating the placing of the above books and kindred literature in public and school libraries.

The official year begins on the 1st of September.

Letters of inquiry should enclose return postage.

Money should be sent by draft, postal order, or registered letter to the Secretary.

EXECUTIVE COMMITTEE.

(The Committee is as yet only partially organized.)

Hon. DAVID A. WELLS, Norwich, Conn.
GEO. S. COE, New York City.
HORACE WHITE, New York City.
} *Finance Committee.*

R. L. DUGDALE, *Secretary for the East and Acting Treasurer*, 79 Fourth Avenue, N. Y. City.

M. L. SCUDDER, Jr., *Secretary for the Northwest*, 40 Portland Block, Chicago, Ill.

Secretary for the Southwest, New Orleans, La.

Secretary for the Southeast.

Secretary for the Pacific Slope, San Francisco, Cal.

Prof. W. G. SUMNER, Yale College, New Haven, Ct.; CHARLES FRANCIS ADAMS, Jr., Boston, Mass.; GEO. HAVEN PUTNAM, New York City; R. R. BOWKER, New York City; E. M. SHEPARD, New York City; A. SYDNEY BIDDLE, Philadelphia, Pa.; JNO. WATTS KEARNEY, Louisville, Ky.; ARCHIBALD MITCHELL, New Orleans, La.; FRANKLIN MACVEAGH, Chicago, Ill.; Gen. BRADLEY T. JOHNSON, Richmond, Va.; ROBERT P. PORTER, Washington, D. C.; JOHN H. AMES, Lincoln, Neb.; GEO. MASON, Galveston, Texas; PETER HAMILTON, Mobile, Ala.; WORTHINGTON C. FORD, Brooklyn, N. Y.

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